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SUBJECT: COLOMBIA'S INTERNATIONAL COMPETITIVENESS AND BUSINESS  
CLIMATE RANKING IMPROVE

11. (SBU) Summary: The World Bank and World Economic Forum (WEF) published their "Doing Business" and "Global Competitiveness Index" reports on September 8. Colombia's ranking improved in both publications. The World Bank listed Colombia as the best country in Latin America for doing business, while the WEF report ranked Colombia five places higher than in its report last year. The improved rankings demonstrate positive evidence of the GOC's implementation of ongoing structural reforms. Both reports, however, also make negative observations about doing business in Colombia. The World Bank gave Colombia low marks for its ability to enforce commercial contracts and collect taxes. The WEF highlighted problems in Colombia with infrastructure and the judicial system. Overall, GOC officials are pleased with their progress promoting private investment, diversifying exports, and reducing poverty -- as it works through structural difficulties. End Summary.

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Doing Business in Colombia Getting Easier  
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12. (U) In the World Bank's 2009 "Doing Business" report, geared toward small and medium size businesses, Colombia moved up 12 positions to reach the 37th spot out of 183 countries. Of note, the report found Colombia to be the number one country in Latin America for facilitating business. Colombia received high marks for its reforms that promote business, protect investment, improve transparency of transactions, reduce wait times for construction permits, improve access to credit, and simplify tax filing and payment processes.

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Conditions Improved But Challenges Remain  
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13. (U) Factors hindering business in Colombia according to the World Bank include high labor costs and assorted taxes, the

elevated expense of moving containers in and out of the country (due to inadequate infrastructure), and the incredibly long time it takes to resolve a commercial dispute in the judicial system (on average 1,346 days). Colombia's two worst scores were the ability to enforce commercial contracts and tax collection.

¶4. (U) The 2009-2010 World Economic Forum's Global Competitiveness Index (GCI) does a more in-depth analysis than the World Bank report and ranked Colombia 69 among 133 countries, up five places from last year. The GCI report ranks Colombia 7th in Latin America, behind countries like Chile, Brazil, Mexico and Uruguay. The report identifies several of the same structural problems mentioned in the World Bank report, and gives greater emphasis to the negative impact terrorism, crime, and violence have on Colombia's competitiveness.

¶5. (U) For a second consecutive year, the GCI describe Colombia as an "efficiency-driven economy." At this stage of development, Colombia's competitiveness is driven by efficient goods markets, well-functioning labor markets, sophisticated financial markets, higher education and training, and the ability to harness the benefits of existing technologies. The GCI report indicated Colombia maintains important competitive advantages, notably its degree of customer service and strong investor protection. Colombia also improved in two other competitiveness areas: number of internet users and information communications technology. The report noted, however, that Colombia lags behind several other countries in Latin America in the areas of higher education and training.

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Minister of Commerce Forging Ahead  
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¶6. (U) Trade Minister Luis Guillermo Plata views the reports as a positive sign for investors considering Colombia. The Ministry has developed a strategy to continue its reforms, such as contract enforcement, quicker judicial action on commercial disputes, streamlined labor processes, and cheaper construction permits. Hernando Jose Gomez, President of the Private Council on Competitiveness, stated that the goal is to improve Colombia's ranking further, and hopefully break into the 20's next year. He acknowledged that this will require greater efforts by the GOC and increased cooperation between the private and public sectors.

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Comment: Filtering the Rose-Colored Glasses  
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¶7. (SBU) While Colombia can be proud of its improved rankings, systemic problems with doing business in Colombia continue to exist. Colombian institutions remain fragile and inefficient, government officials often exhibit favoritism, government regulations can be burdensome, and infrastructure is lacking for the country's size and stage of development. Chile, for example, has more than double the kilometers of paved roads in Colombia.

¶8. (SBU) Foreign (including U.S.) investors often find themselves competing against unfair practices by Colombian companies fighting to keep markets closed through legislative or regulatory actions.

Companies have identified problems such as lax enforcement of intellectual property rules, market access barriers, arbitrary customs treatment, corruption, and judicial uncertainty - specifically related to the treatment of arbitration cases. Furthermore, inaction and slow implementation of decisions, particularly in the Transportation and Communications Ministries, have left some U.S. investors frustrated at what they perceive as a less-than-friendly environment for foreign investment.

19. (SBU) Despite the many areas for improvement, Colombia is headed in the correct direction. The country received record levels of foreign direct investment in 2008, an estimated \$10 billion, and poverty levels are decreasing. The GOC seeks further trade agreements, notably with Asian countries, to diversify the destination of its exports and incorporate more workers into the formal sector.

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